

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ADP-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 SS-15 NSC-10 L-03 H-02

PRS-01 PA-03 USIA-12 RSR-01 /090 W
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R 030922 Z APR 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 4199

INFO AMEMBASSY TOKYO

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E. O. 11652: N/A

TAGS: ETRN, RP

SUBJECT: CIVAIR: GOP AND PAL DELAY POSITION ON U. S. -
RP NEGOTIATIONS

REF: MANILA 2876

SUMMARY: PRESIDENT MARCOS HAS RECEIVED PHIL CAB
RECOMMENDATION FOR GOP RESPONSE TO IFMS. PROPOSAL AS
BASIS FOR RESUMING CIVAIR NEGOTIATIONS, BUT BOTH GOP
OFFICIALS AND PAL EXECUTIVES BELIEVE DEFINITIVE PHIL
POSITION RE NEGOTIATIONS NOT LIKELY CRYSTALLIZE
UNTIL REORGANIZATION OF PHIL CIVIL AVIATION
COMPLETED. PRESIDENT SUSPENDED CONSOLIDATION MOVE AT
LAST MOMENT MARCH 30 PENDING FURTHER STUDY. CAB
OFFICIALS INDICATE LENGTH OF PERIOD FOR HONOLULU
MANDATORY STOP WILL POSE MAJOR DIFFICULTY FOR PHILS.
PAL ALSO FACES ENCUMBRANCES ON RIGHTS THROUGH TOKYO
AND CONTINUES SEEK GUAM RIGHTS. END SUMMARY.

1. EXEC SECY MELCHOR, CAB CHAIRMAN QUIAZON AND OTHER
OFFICIALS INDICATED IN CONVERSATIONS APRIL 2 AND 3 THAT
CAB SENT TO PRESIDENT IN MID- MARCH RECOMMENDED GOP
POSITION IN RESPONSE TO USG FEBRUARY PROPOSAL TO BE
BASIS FOR FUTURE AIR NEGOTIATIONS (STATE 29030).

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MELCHOR COMMENTED IT UNLIKELY GOP COULD REACH DEFINITIVE POSITION ON U. S. PROPOSAL WHILE PHIL AIR CARRIERS WERE IN MIDST OF REORGANIZATION AND CONSOLIDATION. THIS VIEW ECHOED BY QUIAZON AND PRESIDENTIAL STAFF OFFICER AND STRONGLY STATED BY PAL EXECUTIVES, BUT APPARENTLY NOT FULLY ACCEPTED BY CAB EXECUTIVE DIRECTOR AGCAOILI. MELCHOR INDICATED HE NOW TAKING LESS ACTIVE ROLE IN CIVIL AVIATION MATTERS, APPARENTLY BECAUSE OF CURRENT CABINET LEVEL SQUABBLE OVER AIRLINE INTEGRATION MOVES.

2. AGCAOILI CITED LENGTH OF PROPOSED PERIOD (30 MONTHS) FOR MANDATORY HONOLULU STOP AS MAJOR STICKING POINT FOR PHILS. PAL EXECUTIVE VP IGOA SAID HE HAD STUDIED U. S. PROPOSAL BUT DID NOT OFFER SUBSTANTIVE COMMENT. HE OBVIOUSLY PREOCCUPIED AND CONCERNED BY GOP ERRATIC POLICY ON AIRLINE INTEGRATION AND INDICATED PAL COULD NOT TAKE POSITION ON FUTURE INTERNATIONAL OPERATIONS DURING PRESENT UNCERTAINTY RE STATUS OF AIRLINE (INCLUDING FUTURE FINANCING, DOMESTIC COMPETITIVE POSITION, AND RELATIONSHIP TO GOVERNMENT). IGOA COMMENTED, HOWEVER, THAT PAL ROUTES THROUGH TOKYO TO U. S. WERE SUBJECT TO GOJ LIMITATION OF THREE FREQUENCIES UNTIL NEW TOKYO AIRPORT OPENED, WHICH NOW APPARENTLY POSTPONED FOREXTENDED PERIOD. HE NOTED FIVE FREQUENCIES WERE ALLOWED UNDER RP- JAPAN AGREEMENT AND ADDED GOP WOULD HAVE TO RENEGOTIATE THESE RIGHTS IF WIDE- BODIED AIRCRAFT WERE INTRODUCED.

3. IGOA COMPLAINED THAT CLOSURE OF WAKE ISLAND AND SHIFT TO GUAM AS REFUELING STOP FOR PAL WILL RESULT IN CONSIDERABLY INCREASED COSTS FOR AIRLINE AND SAID GUAM RIGHTS IT HAS BEEN SEEKING WOULD BARELY COMPENSATE FOR ADDED COSTS. FLYING TIGER MANAGER FAUSTINO REPORTS CONTINUED PRESSURE FROM CAB TO ENCOURAGE IMMEDIATE USG APPROVAL OF GUAM RIGHTS FOR PAL.

4. CONSOLIDATION OF PHIL AIR CARRIERS, ORIGINALLY ORDERED BY PRESIDENT EFFECTIVE APRIL 1 AND SEEMINGLY OPENING WAY FOR PAL TO BECOME SOLE AIR CARRIER, WAS SUSPENDED BY PRESIDENT MARCH 30 PENDING FURTHER STUDY. AIR MANILA AND FILIPINAS WERE DIRECTED TO BEGIN JOINT OPERATIONS WITH PAL CONTINUING FORMER SCHEDULES. LIMITED OFFICIAL USE

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ABSORBING SOME 1,000 AIR MANILA AND FILIPINAS EMPLOYEES APPARENTLY POSED MAJOR PROBLEM. COMMITTEE HEADED BY DEFENSE SECRETARY ENRILE IS TO RECOMMEND ROUTES AND

TERMINALS TO BE SERVED. PRESIDENT ALSO DIRECTED STUDIES
BE CONTINUED FOR " FINAL PHASE" OF RATIONALIZATION OF
AIRLINE INDUSTRY, ESTABLISHMENT OF SINGLE AIRLINE.

5. MEANWHILE FINANCES OF ALL THREE AIRLINES REMAIN
PRECARIOUS. PAL FACES MAJOR DEBT OBLIGATION OF \$7.5
MILLION DUE THIS MONTH TO HONG KONG- SHANGHAI BANK AND
OTHERS. (THIS IS DEBT ORIGINALLY GUARANTEED BY CALTEX
THAT TODA REPAID DRAMATICALLY ONE YEAR AGO; SEE
MANILA 3822 4/27/72) PAL OWNER TODA IS REPORTEDLY
EXPLORING POSSIBLE MEANS OF REFINANCING THIS LOAN.
RUMORS ARE ALSO CIRCULATING THAT ACACIA GROUP OF
PHILIPPINE INVESTORS SEEKING MOBILIZE RESOURCES TO GAIN
FINANCIAL CONTROL OF AIRLINE INDUSTRY, AND THAT
DELAY IN AIRLINE RESTRUCTURING IS RELATED TO ACACIA'S
FINANCING PROBLEMS AND MANEUVERS.
BYROADE

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